Appendix B

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2017-305-E

IN RE:	
Request of South Carolina Office of Regulatory Staff for Rate Relief to SCE&G Rates Pursuant to S.C. Code Ann. § 58-27-920.	**AFFIDAVIT OF BYRON W. HINSON**

Byron W. Hinson being duly sworn, deposes and says:

1. I am the Director of Rates and Regulatory Affairs for South Carolina Electric & Gas Company, principal subsidiary of SCANA (SCE&G or collectively with SCANA, the "Company").

2. As such, I have primary responsibility for managing the Company's regulatory activities and reporting of its financial and regulatory returns and results.

3. As part of my duties with the Company, I have oversight responsibility for the rate department which prepares the financial reports that SCE&G files with the Public Service Commission of South Carolina (the "Commission") and the South Carolina Office of Regulatory Staff ("ORS"). These include the quarterly surveillance reports that show SCE&G's financial results on a regulatory accounting basis.

4. The quarterly surveillance reports are based on standard and accepted rate making principles and practices. The current results for SCE&G's operations that are presented here are based on the results for the twelve months ending September 30, 2017, which is the most current quarter for which results are available.

5. The Request filed in this docket by ORS, if granted, would result in the immediate suspension of $445 million (or $413 net of transmission) in annual retail electric revenue authorized through nine revised rates orders that were approved by this Commission, after audit by ORS. My affidavit outlines some of the effects on the financial integrity of the Company that could occur if this request were granted.

SCE&G's Ongoing Capital Needs

6. SCE&G's current retail electric rates were set in Order No. 2012-951. They were based on a 12 month test period ending December 31, 2011.

7. The rates set in Order No. 2012-951 were set at a level calculated to provide SCE&G a reasonable opportunity to earn a return on equity ("ROE") of 10.25% on its retail electric operations. It was based on adjusted expenses, rate base and billing determinants as measured during the calendar year 2011 test period.

8. Since that time, SCE&G's expenses, rate base and billing determinants have changed in a number of respects. For example,

(a) Retail electric customer count has increased approximately 8% from 664,268 to 716,842;

(b) Operations & maintenance expenses have increased by approximately 15%;

(c) Taxes other than income taxes (principally local property taxes) have increased by approximately 35% to $210 million; and

(d) Gross plant additions have increased over $1.2 billion.

9. For these reasons, for the 12 months ending September 30, 2017, SCE&G's retail electric operations earned a ROE of approximately 8.4%, which is 185 basis points lower than the 10.25% ROE which the Commission authorized in 2012 and on which the Commission set rates.

10. There is nothing unusual about the fact that current rates do not produce the ROE that was determined to be required when they were established. The cost of providing utility service increases as customer demands grow, as aging equipment is replaced with new equipment purchased at current costs, as the cost of complying with increasingly stringent safety and environmental regulation rises and as inflation increases the general cost of operations.

11. SCE&G has been able to avoid a base electric rate increase, other than BLRA related increases, for approximately five years since Order No. 2012-951 was issued. Avoiding rate cases has been a stated financial and operational goal and required careful management of the Company's costs and operations.

12. Revised rates adjustments have been granted on nine occasions, after audit by ORS. In each case, the retail electric rates for SCE&G have been restated to include the new revised rates.

13. Under my direction, the Company has computed the consolidated return on rate base that would have been generated on SCE&G's retail electric operations, including its investment in the nuclear project. If $413 million in revised rates revenue was disallowed, SCE&G's ROE would drop to approximately 3.4%, which is approximately 500 basis points below SCE&G's current earned return, and only 33% of the return that the Commission and the intervening parties determined to be reasonable in 2012. This return is lower than the Company's cost of long-term debt which, as has been testified to in past proceedings, is at historically low levels. As such a ROE of 3.4% would be unreasonably low.

14. Further, as Mr. Addison has testified, if the Commission were to disallow SCE&G's right to earn a return on its $4.8 billion investment in the nuclear project, SCE&G would be required to recognize an impairment loss on its investment and take a corresponding write-down against common equity. This would place the financial stability and creditworthiness of the Company in peril.

15. I am familiar with the concepts of just and reasonable rates and fair and reasonable rates as they are used in ratemaking proceedings in South Carolina. Suspending collection of revised rates and returning SCE&G's rates to January 1, 2013 levels would not result in rates that are fair, just or reasonable.

AFFIANT FURTHER SAYETH NOT.

Byron W. Hinson

Sworn to and subscribed before
Me this the 31st day of October, 2017.

Notary Public for South Carolina

My Commission Expires: 7-25-21